

AREA 15 REGIONAL PLANNING COMMISSION
OTTUMWA, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2016

Table of Contents

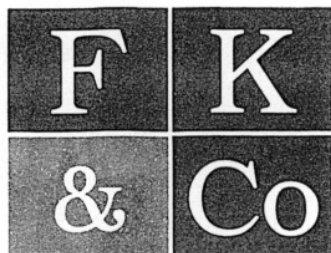
	Exhibit	Page
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis		7-12
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	A	14
Statement of Activities	B	15
Governmental Fund Financial Statements:		
Balance Sheet	C	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	17
Statement of Revenues, Expenditures and Changes in Fund Balances	E	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	19
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Net Position - Agency Fund	G	20
Notes to Financial Statements		21-33
Required Supplementary Information:		
Schedule of the Commission's Proportionate Share of the Net Pension Liability		35
Schedule of Commission Contributions		36
Notes to Required Supplementary Information - Pension Liability		37
Supplementary Information:		
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	1	39
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	2	40
Schedule of Expenditures of Federal Awards	3	41-42
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		43-44
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance		45-46
Schedule of Findings and Questioned Costs		47-52

Area 15 Regional Planning Commission

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Greg Kenning	Chair	Wapello County
Lee Dimmitt	Vice-Chair	Jefferson County
Bryan Ziegler	Treasurer	Economic Development
Mark Doland	Member	Mahaska County
Mike Hadley	Member	Keokuk County
Matt Greiner	Member	Davis County
Ted Nixon	Member	Van Buren County
Douglas L. Glandon	Member	Small Cities
John Helgersen	Member	Private Interest
Donnie Garrett	Member	Private Interest
Adam Plagge	Member	Private Interest
Chris Bowers	Executive Director	

Area 15 Regional Planning Commission



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors of
Area 15 Regional Planning Commission:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Area 15 Regional Planning Commission (Commission), Ottumwa, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the Commission's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Commission as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

-5-

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Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Schedule of the Commission's Proportionate Share of the Net Pension Liability and the Schedule of Commission Contributions on pages 7 through 12 and 35 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

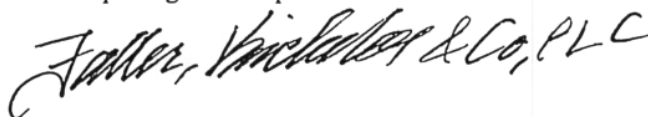
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 3, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 26, 2017 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's internal control over financial reporting and compliance.



Faller, Kincheloe & Co., PLC

Des Moines, Iowa
January 26, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Area 15 Regional Planning Commission (Commission) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow:

2016 FINANCIAL HIGHLIGHTS

- Revenues of the Commission increased from \$457,927 in fiscal year 2015 to \$503,774 in fiscal year 2016, and expenditures increased from \$368,334 in fiscal year 2015 to \$421,653 in fiscal year 2016. The Commission's fund balance increased from \$991,363 at the end of fiscal year 2015 to \$1,087,029 at the end of fiscal year 2016.
- The fiscal year 2016 revenue increase was the result of increased operating grants, contributions and restricted interest, primarily due to more monies received by Opportunity2 Marketing.
- The fiscal year 2016 expenditure increase was mainly the result of an increase in write-off of bad debt and an increase in the amount of contractual services from one-time projects.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the Commission as a whole and represent an overall view of the Commission's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Commission's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statement provides financial information about activities for which the Commission acts solely as an agent or custodian for the benefit of those outside of the Commission.

Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information presents the Commission's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the Agency Fund. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the Commission.

REPORTING THE COMMISSION'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the Commission as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Commission's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the Commission's net position and how it has changed. Net position – the difference between the Commission's assets and liabilities – is one way to measure the Commission's financial health or financial position. Over time, increases or decreases in the Commission's net position is an indicator of whether financial position is improving or deteriorating. To assess the Commission's overall health, additional non-financial factors, such as changes in the Commission's members and the condition of equipment, need to be considered.

In the government-wide financial statements, the Commission's activities are categorized as governmental activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Commission's funds, focusing on its most significant or "major" funds – not the Commission as a whole. Funds are accounting devices the Commission uses to keep track of specific sources of funding and spending on particular programs.

The Commission has two kinds of funds:

- 1) *Governmental funds*: Most of the Commission's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission's programs.

The Commission's governmental funds include the General Fund and the Regional Economic Development Investments Inc. Revolving Loan Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Fiduciary funds*: The Commission is the trustee, or fiduciary, for assets that belong to others. This fund includes the Agency Fund. The Agency Fund is a fund through which the Commission administers and accounts for certain monies as a fiscal agent.

The Commission is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The Commission excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statement for an Agency Fund is a Statement of Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of the Commission's net position at June 30, 2016 compared to June 30, 2015.

Condensed Statement of Net Position			
	June 30,		Total Change
	2015		June 30,
	2016	(Not restated)	2015-2016
Current and other assets	\$ 1,309,723	1,239,121	5.70%
Capital assets	7,323	2,690	172.23%
Total assets	1,317,046	1,241,811	6.06%
Deferred outflows of resources	27,289	7,007	289.45%
Long-term liabilities	198,605	183,331	8.33%
Other liabilities	24,516	20,605	18.98%
Total liabilities	223,121	203,936	9.41%
Deferred inflows of resources	34,185	53,519	-36.13%
Net position:			
Net investment in capital assets	7,323	2,690	172.23%
Restricted	965,188	846,122	14.07%
Unrestricted	114,518	142,551	-19.67%
Total net position	\$ 1,087,029	991,363	9.65%

The Commission's combined net position increased by 9.65% or \$95,666 from the prior year.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The Commission's restricted net position increased \$119,066, or 14.07% over the prior year.

Unrestricted net position – the part of net position that can be used to finance day to day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased \$28,033 or 19.67% under the prior year.

The following shows the changes in net position for the year ended June 30, 2016 compared to the year ended June 30, 2015.

Changes in Net Position			
			Total Change
	2016	2015 (Not restated)	2015-2016
Revenues:			
Program revenues:			
Charges for service	\$ 246,603	242,658	1.63%
Operating grants, contributions and restricted interest	210,573	168,390	25.05%
General revenues:			
Local dues	44,903	45,402	-1.10%
Unrestricted investment earnings	1,695	1,477	14.76%
Total revenues	503,774	457,927	10.01%
Program expenses:			
Community and economic development	421,653	368,334	14.48%
Total expenses	421,653	368,334	14.48%
Change in net position	82,121	89,593	-8.34%
Net position beginning of year, as restated	1,004,908	901,770	11.44%
Net position end of year	\$ 1,087,029	991,363	9.65%

As shown above, the Commission as a whole experienced a 10.01% increase in revenues and a 14.48% increase in expenses. The increase in revenues was primarily due to an increase in operating grants, contributions and restricted interest in relation to Opportunity2 Marketing. The increase in expenses was primarily due to an increase in bad debt expenses.

Governmental Activities

Revenues for governmental activities were \$503,774 and expenses were \$421,653 for the year ended June 30, 2016. For the year ended June 30, 2016:

- The cost financed by the users of the Commission's programs was \$246,603.
- Federal and state governments and private businesses subsidized certain programs with grants and contributions totaling \$210,573.
- The net cost of governmental activities was financed with \$44,903 in local dues and \$1,695 in unrestricted interest earnings.

The cost of all activities this year was \$421,653 compared to \$368,334 last year. These costs were primarily financed by those who directly benefited from the programs and grants and contributions from the federal and state government and from private businesses.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the Commission as a whole is reflected in its governmental funds, as well. As the Commission completed the year, its governmental funds reported combined fund balances of \$1,160,051 a decrease of \$13,008 from last year's ending fund balances of \$1,173,059.

Governmental Fund Highlights

- The General Fund balance increased from \$287,996 to \$328,372. This increase was primarily due to increased operating grants, contributions and restricted interest, primarily due to more monies received by Opportunity2 Marketing.
- The Regional Economic Development Investments, Inc. Revolving Loan Fund balance decreased from \$885,063 at the end of fiscal year 2015 to \$831,679 at the end of fiscal year 2016. This decrease is largely from an increase in bad debt expense in the current year compared to the prior year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the Commission had \$7,323 invested, net of accumulated depreciation, in equipment. This represents a net increase of 172.23% from last year. More detailed information about the Commission's capital assets is presented in note 5 to the financial statements. Depreciation expense for the year was \$1,888.

The original cost of the Commission's capital assets was \$28,176. The significant increase in capital assets is due to the purchase of a copier and counter in fiscal year 2016 with no new capital assets purchased by the Commission in fiscal year 2015.

Long-Term Liabilities

At June 30, 2016, the Commission had \$198,605 in total long-term liabilities outstanding. This represents a net increase of 8.33% from last year. The increase in long-term liabilities in fiscal year 2016 is due to an increase in the net pension liability. More detailed information about the Commission's long-term liabilities is presented in Note 6 to the financial statements.

The Commission's long-term liabilities at June 30, 2016 consisted of compensated absences and net pension liability.

ECONOMIC FACTORS BEARING ON THE COMMISSION'S FUTURE

The Commission's Executive Committee considered various factors when setting the fiscal year 2017 budget and fees that will be charged for agency activities. The Commission's operations are expected to remain consistent with the previous year. Federal and state capital and operating grants are expected to tighten moving forward due to budget concerns.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have any questions or need additional financial information, please contact the Area 15 Regional Planning Commission, 224 East 2nd Street, Suite 2, P. O. Box 1110, Ottumwa, Iowa 52501.

Basic Financial Statements

Area 15 Regional Planning Commission

Exhibit A

Statement of Net Position

June 30, 2016

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 597,717
Accounts receivable	149,972
Loans receivable, less allowance for loan losses	557,047
Prepaid expenses	4,987
Capital assets (net of accumulated depreciation)	<u>7,323</u>
Total assets	<u>1,317,046</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>27,289</u>
Liabilities	
Accounts payable	9,784
Accrued payroll and related taxes	9,582
Advanced payments - membership dues	5,150
Long - term liabilities:	
Portion due within one year:	
Compensated absences payable	30,475
Portion due after one year:	
Net pension liability	<u>168,130</u>
Total liabilities	<u>223,121</u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>34,185</u>
Net Position	
Net investment in capital assets	7,323
Restricted for:	
Loan purposes	831,679
Housing purposes	75,853
Marketing purposes	57,656
Unrestricted	<u>114,518</u>
Total net position	<u><u>\$ 1,087,029</u></u>

See notes to financial statements.

Area 15 Regional Planning Commission

Exhibit B

Statement of Activities

Year ended June 30, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions / Programs:					
Governmental activities:					
Community and economic development	\$ 421,653	246,603	210,573	-	35,523
Total	<u>\$ 421,653</u>	<u>246,603</u>	<u>210,573</u>	<u>-</u>	<u>35,523</u>
General Revenues:					
Unrestricted investment earnings					\$ 1,695
Local dues					<u>44,903</u>
Total general revenues					<u>46,598</u>
Change in net position					82,121
Net position beginning of year, as restated					<u>1,004,908</u>
Net position end of year					<u>\$ 1,087,029</u>

See notes to financial statements.

Area 15 Regional Planning Commission

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2016

		Special Revenue	
		Regional Economic Development Investments, Inc. Revolving Loan Fund	
	General		Total
Assets			
Cash and cash equivalents	\$ 322,175	275,542	597,717
Accounts receivable	149,972	-	149,972
Loans receivable, less allowance for loan losses	-	557,047	557,047
Prepaid expenses	4,987	-	4,987
Total assets	\$ 477,134	832,589	1,309,723
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 8,874	910	9,784
Accrued payroll and related taxes	9,582	-	9,582
Advanced payments - membership dues	5,150	-	5,150
Total liabilities	23,606	910	24,516
Deferred inflows of resources:			
Unavailable revenues:		-	
Other	125,156	-	125,156
Total deferred inflows of resources	125,156	-	125,156
Fund balances:			
Nonspendable:			
Loans receivable	-	557,047	557,047
Prepaid expenses	4,987	-	4,987
Restricted for:			
Loan purposes	-	274,632	274,632
Housing purposes	75,853	-	75,853
Marketing purposes	57,656	-	57,656
Unassigned	189,876	-	189,876
Total fund balances	328,372	831,679	1,160,051
Total liabilities, deferred inflows of resources and fund balances	\$ 477,134	832,589	1,309,723

See notes to financial statements.

Area 15 Regional Planning Commission

Exhibit D

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Position

June 30, 2016

Total fund balances of governmental funds (page 16) **\$ 1,160,051**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Certain assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 125,156

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 7,323

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 27,289	
Deferred inflows of resources	<u>(34,185)</u>	(6,896)

Long - term liabilities, including compensated absences payable and net pension liability are not due and payable in the current period and, therefore, are not reported in the governmental funds. (198,605)

Net position of governmental activities (page 14) **\$ 1,087,029**

See notes to financial statements.

Area 15 Regional Planning Commission

Exhibit E

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds

Year ended June 30, 2016

	General	Special Revenue Regional Economic Development Investments, Inc. Revolving Loan Fund	Total
Revenues:			
Use of money and property:			
Interest income	\$ 1,694	11,096	12,790
Charges for service:			
Late payment fees and penalty	-	25	25
Loan origination fees	-	7,725	7,725
Contract administration	168,599	-	168,599
	168,599	7,750	176,349
Intergovernmental:			
Federal funds	120,548	-	120,548
State funds	11,765	-	11,765
Memberships dues and fees	39,753	-	39,753
	172,066	-	172,066
Miscellaneous	62,870	-	62,870
Total revenues	405,229	18,846	424,075
Expenditures:			
Operating:			
Community and economic development			
Personnel	230,700	-	230,700
Fringe benefits	63,874	-	63,874
Travel	5,609	-	5,609
Phone	2,893	-	2,893
Printing and postage	2,620	-	2,620
Supplies	1,177	-	1,177
Equipment	6,839	-	6,839
Contractual	7,538	2,278	9,816
Other	23,993	454	24,447
Administration	-	5,111	5,111
Bad debt	-	64,387	64,387
Indirect costs	19,610	-	19,610
Total expenditures	364,853	72,230	437,083
Change in fund balances	40,376	(53,384)	(13,008)
Fund balances beginning of year	287,996	885,063	1,173,059
Fund balances end of year	\$ 328,372	831,679	1,160,051

See notes to financial statements.

Area 15 Regional Planning Commission

Exhibit F

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances -
Governmental Funds to the Statement of Activities

Year ended June 30, 2016

Net change in fund balances - total governmental funds (page 18) \$ (13,008)

*Amounts reported for governmental activities in the Statement of
Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures were more than depreciation expense in the current year, as follows:

Expenditures of capital assets	\$ 6,521	
Depreciation expense	<u>(1,888)</u>	4,633

Certain accounts receivable not collected for several months after year end are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds.	79,703
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The current year Commission IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position.	20,120
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(1,023)	
Pension expense	<u>(8,304)</u>	<u>(9,327)</u>

Change in net position of governmental activities (page 15)	<u>\$ 82,121</u>
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See notes to financial statements.

Area 15 Regional Planning Commission

Exhibit G

Statement of Fiduciary Net Position
Agency Fund

June 30, 2016

Assets

Cash and cash equivalents	\$ 1,289
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Total assets	<u>1,289</u>
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Liabilities

Due to other governments	<u>1,289</u>
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Total liabilities	<u>1,289</u>
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Net Position	<u><u>\$ -</u></u>
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See notes to financial statements.

Area 15 Regional Planning Commission

Notes to Financial Statements

June 30, 2016

Note 1. Summary of Significant Accounting Policies

The Area 15 Regional Planning Commission (Commission) was created pursuant to Chapter 28E of the Iowa Code. The Commission is a voluntary organization of counties and municipal corporations in the east south-central Iowa region. All territory within six identified counties (Davis, Jefferson, Keokuk, Mahaska, Van Buren and Wapello) is designated to be the east south-central Iowa region.

The Commission is the recipient of several program grants. In addition, funds are received from local member governments to aid in the planning functions of the Commission. In exchange for these member government contributions, the Commission provides information, planning services, and technical assistance as well as coordinates the activities of these local governments with other local governments or grantor agencies. The Commission functions as the comprehensive planning and review agency for the Commission's region, and is available to assist member governments in any other manner that they may direct.

The financial statements of the Commission have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the Commission has included all funds, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Commission.

These financial statements present the Commission (the primary government) and its component unit. The component unit discussed below is included in the Commission's reporting entity because of the significance of its operational or financial relationship with the Commission.

Blended Component Unit – The Regional Economic Development Investments, Inc. has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to provide loans to area businesses. The Commission's Executive Board is also the Board of Regional Economic Development Investments, Inc., and the Commission can impose its will on Regional Economic Development Investments, Inc. In accordance with the criteria set forth by the Governmental Accounting Standards Board, the Regional Economic Development Investments, Inc. meets the definition of component units which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the Commission.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the Commission. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are primarily supported by intergovernmental revenues and charges for services.

Note 1. Summary of Significant Accounting Policies (continued)

The Statement of Net Position presents the Commission's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital improvements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major governmental funds are reported as separate columns in the fund financial statements.

The Commission reports the following major governmental funds:

The General Fund is the general operating fund of the Commission. All receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From this fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Regional Economic Development Investments, Inc. - Revolving Loan Fund is used to account for the revolving loan fund revenues and expenditures. The Regional Economic Development Investments, Inc. is a blended component unit of the Commission.

The Commission also reports fiduciary funds which focus on net position and changes in net position. The Commission's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the Commission as an agent for other organizations and governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Note 1. Summary of Significant Accounting Policies (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within 60 days after year end.

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Commission.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of the grant agreements, the Commission funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Commission's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the Commission's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Cash Equivalents – The cash balances of most Commission funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

Loans Receivable - Loans receivable, are carried at the original loan amount less an estimate made for loan losses based on a review of all outstanding amounts on a yearly basis. Management determines the allowance for loan losses by identifying troubled loans and by using historical experience applied to an aging of loans. Loans receivable are written off when deemed uncollectible. Recoveries of loan receivables previously written off are recorded as income when received. The allowance for loan losses at June 30, 2016 was \$126,282. This amount consists of \$6,457 for the Commission and \$119,825 for the Regional Economic Development Investments, Inc., to total \$126,282.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extend the useful lives are not capitalized. Capital assets are defined by the Commission as assets with initial, individual cost in excess of \$500 and estimated useful lives in excess of two years.

Capital assets of the Commission are depreciated using the straight line method over estimated useful lives of 5-7 years.

Note 1. Summary of Significant Accounting Policies (continued)

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Compensated Absences – Commission employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016.

Long-Term Liabilities – In the government-wide financial statements other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 1. Summary of Significant Accounting Policies (continued)

Indirect Expense Allocation – Expenses relating to the administration of the Commission in general are allocated to the specific program grants based upon actual time spent (salaries, benefits, etc.), or some other equitable basis depending upon the nature of the expenditure.

Note 2. Cash and Cash Equivalents

Primary Government:

The Commission's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance, by other insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers' acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts and warrants or improvement certificates of a drainage Commission.

The Commission had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Blended Component Unit:

At June 30, 2016, deposits held by the Regional Economic Development Investments, Inc. were entirely covered by federal depository insurance, or other insurance. Accounts are insured by the Federal Depository Insurance Corporation (FDIC) or the National Credit Union Association (NCUA) up to \$250,000. However, at times during the year ended June 30, 2016, the cash in bank balances exceeded the FDIC/NCUA limits.

Note 3. Accounts Receivable

Amounts shown as accounts receivable at June 30, 2016 consist of the following:

<u>Payee</u>	<u>Amount</u>
State of Iowa	\$ 19,926
City of Bloomfield	23,411
City of Ottumwa	9,257
City of Blakesburg	2,151
City of Keosauqua	1,922
City of Eddyville	1,126
City of Sigourney	2,111
Southern Iowa Council of Governments	1,821
Mahaska County	28,879
Jefferson County	16,433
Van Buren County	20,224
AHEAD, Inc.	9,022
Other Cities and entities	13,689
	<u>\$ 149,972</u>

The Commission believes that all accounts receivable will be collectible. As a result, no allowance for doubtful accounts was established.

Note 4. Loans Receivable

Primary Government:

The Commission has established a revolving loan fund with funds received from the Iowa Finance Authority – Housing Assistance Fund. A maximum payment of \$3,000 for first time homebuyers to be used for down payment, closing costs or minimal repair assistance will be made to qualified individuals. The loans carry a term of 5 years at 2% interest. The repayments of the loans are due monthly; however, the first principal and interest payment is not due until 12 months after closing. Until the loan balance is paid off, the Commission holds a second mortgage on the real estate. The loan borrowers for these loans have not made any payments on these loans in several years. The loans receivable balances on these loans were \$6,457 at June 30, 2016, less allowance for loan losses of \$6,457, with a net loan balance of \$0.

Blended Component Unit:

The following 12 loans represent loans made by Regional Economic Development Investments, Inc. with funds received by the Commission, as obtained from the U.S. Department of Commerce – Economic Development Administration from the Economic Adjustment Assistance grant program. In addition, local match money was required to be provided and was combined with this grant program. These grant and local match monies are used to make loans to businesses. Loans are subject to guidelines provided by the federal granting agency and must stimulate the economy and encourage job creation.

Loans receivable are described below:

	Original Amount	Repayment Terms	Security	Balance June 30, 2016
Loan #1	\$ 48,000	60 monthly payments of \$905.82 including interest at 5%. Final payment due in May, 2001. This loan is currently delinquent.	Security agreement on machinery, equipment, furniture, furnishings, fixtures, inventory and accounts receivable. Personal guarantee of corporate officers.	\$ 10,656
Loan #2	10,000	60 monthly payments of \$184.17 including interest at 4%. Final payment due in May, 2009. This loan is currently delinquent.	Security agreement on furnishings, fixtures, accounts receivable, inventory, all other general intangibles, and first possession security interest on two ATV's. Personal guarantee from the owners.	3,051
Loan #3	7,000	60 monthly payments of \$132.10 including interest at 5%. Final payment due in April, 2015. This loan is currently delinquent.	Security agreement on all inventory, accounts receivable, equipment, all other general intangibles, as well as specific equipment. Personal guarantee of owner.	6,995
Loan #4	150,000	60 monthly payments of \$2,762.48 including interest at 4%. Final payment due in September, 2017.	Security agreement on all machinery, inventory, accounts receivable, all other general intangibles, as well as specific equipment. Also, mortgage on real estate. Personal guarantee of owners.	40,353

Note 4. Loans Receivable (continued)

	Original Amount	Repayment Terms	Security	Balance June 30, 2016
Loan #5	\$ 13,500	60 monthly payments of \$254.76 including interest at 5%. Final payment due in October, 2017.	Security agreement on all machinery, inventory, accounts receivable, all other general intangibles, as well as specific equipment. Also, mortgage on real estate. Personal guarantee of owners.	\$ 4,879
Loan #6	97,500	60 monthly payments of \$1,839.95 including interest at 5%. Final payment due in December, 2018.	Security agreement on all machinery, inventory, accounts receivable, all other general intangibles, as well as specific equipment. Personal guarantee of owner.	51,926
Loan #7	15,000	60 monthly payments of \$283.07 including interest at 5%. Final payment due in December, 2018.	Security agreement on all machinery, inventory, accounts receivable and all other general intangibles. Also, mortgage on real estate. Personal guarantee of owner.	8,717
Loan #8	160,000	84 monthly payments of \$1,837.94 including interest at 2.625%. Final payment due in February, 2023. Then, 36 monthly payments of \$663.89 from March, 2023 to February, 2026.	Security agreement on all machinery, inventory, accounts receivable, all other general intangibles, as well as three injection mold machines. Personal guarantee of owners.	153,360
Loan #9	225,000	120 monthly payments of \$2,133.89 including interest at 2.625%. Final payment due in March, 2026.	Security agreement on all machinery, inventory, accounts receivable and all other general intangibles. Personal guarantee of owner.	220,064
Loan #10	150,000	120 monthly payments of \$1,422.59 including interest at 2.625%. Final payment due in April, 2026.	Security agreement on all machinery, inventory, accounts receivable, all other general intangibles, as well as specific equipment. Personal guarantee of owners.	147,809
Loan #11	15,000	60 monthly payments of \$267.04 including interest at 2.625%. Final payment due in March, 2021.	Security agreement on all machinery, inventory, accounts receivable and all other general intangibles. Also, holds title to specific vehicle. Personal guarantee of owners.	14,296
Loan #12	15,000	60 monthly payments of \$267.04 including interest at 2.625%. Final payment due in May, 2021.	Security agreement on all machinery, inventory, accounts receivable and all other general intangibles. Also, holds title to specific vehicle. Personal guarantee of owners.	14,766

Note 4. Loans Receivable (continued)

Original Amount	Repayment Terms	Security	Balance June 30, 2016
		Subtotal	\$ 676,872
		Less Allowance for Loan Losses	<u>(119,825)</u>
		Net loans receivable	<u>\$ 557,047</u>

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets				
Equipment	\$ 26,937	6,521	5,282	28,176
Less accumulated depreciation				
Equipment	24,247	1,888	5,282	20,853
Total capital assets depreciated, net	\$ 2,690	4,633	-	7,323

Depreciation expense for the year totaled \$1,888.

All of the capital assets are owned by the primary government. The blended component unit did not have any capital assets during the fiscal year.

Note 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2016 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Compensated absences	\$ 29,452	30,475	29,452	30,475	30,475
Net pension liability	140,334	27,796	-	168,130	-
Total	\$ 169,786	58,271	29,452	198,605	30,475

All of the long-term liabilities were incurred by the primary government. The blended component unit did not have any long-term liabilities during the fiscal year.

Note 7. Operating Leases

The Commission has an operating lease for the rental of office space and an operating lease for the rental of a postage machine. The office space lease expires on June 30, 2019, and the postage machine lease expires on December 31, 2018. Office space rental expense totaled \$9,615 for the year ended June 30, 2016. Postage machine rental expense totaled \$612 for the year ended June 30, 2016.

Note 7. Operating Leases (continued)

Future minimum lease payments in relation to the office space and postage machine leases are as follows:

Year Ended June 30 -	Amount
2017	\$ 11,112
2018	11,112
2019	<u>10,806</u>
Total	<u>\$ 33,030</u>

Note 8. Pension Plan

Plan Description - IPERS membership is mandatory for employees of the Commission, except for those covered by another retirement system. Employees of the Commission are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Note 8. Pension Plan (continued)

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the Commission contributed 8.93% of covered payroll, for a total rate of 14.88%.

The Commission's contributions to IPERS for the year ended June 30, 2016 totaled \$20,120.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the Commission reported a liability of \$168,130 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on the Commission's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the Commission's proportion was 0.0034031%, which was a decrease of 0.000135% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016 the Commission recognized pension expense of \$8,304. At June 30, 2016, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,540	-
Changes of assumptions	4,629	-
Net difference between projected and actual earnings on IPERS' investments	-	13,992
Changes in proportion and differences between Commission contributions and the Commission's proportionate share of contributions	-	20,193
Commission contributions subsequent to the measurement date	20,120	-
Total	\$ 27,289	34,185

Note 8. Pension Plan (continued)

\$20,120 reported as deferred outflows of resources related to pensions resulting from the Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2017	\$ (10,569)
2018	(10,569)
2019	(10,569)
2020	4,833
2021	(142)
	<u>\$ (27,016)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of Inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Note 8. Pension Plan (continued)

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28 %	2.04 %
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	100 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Commission will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the Commission's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 294,365	168,130	61,578

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS - At June 30, 2016, the Commission reported payables to IPERS of \$0 for legally required Commission contributions and \$0 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

Note 9. Related Party Transactions

The Commission had business transactions between the Commission and Commission employees totaling \$9,615 during the year ended June 30, 2016.

Note 10. Risk Management

The Commission is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Commission assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11. Mortgage Liens

In addition to the mortgages discussed in note 4 above, the Commission holds a first or second mortgage on several additional parcels of real estate. When certain criteria are met by the owners, either through the passage of time or ownership requirements, the Commission will release the mortgage. In the event of default by the owners, the Commission would be entitled to reimbursement. However, any reimbursement that might be received as a result of defaults is not believed to be material.

Note 12. Contingency

The Commission and the component unit participate in a number of Federal and State grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditures of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the Commission or the component unit. The Commission's and the component unit's management believes such revisions or disallowance, if any, will not be material to the Commission or the component unit.

Note 13. Subsequent Events

The Commission has evaluated subsequent events through January 26, 2017, which is the date the financial statements were available to be issued.

Note 14. Restatement of Other Postemployment Benefits Liability

Due to the Affordable Care Act, effective January 1, 2014, the Commission's rates/premiums no longer result in an implicit rate subsidy or OPEB liability because the Commission's rates vary by age and retirees will pay a premium based on their attained age.

Beginning net position has been restated to adjust for the OPEB costs expensed in prior years.

The effects of the change are summarized as follows:

	<u>Governmental Activities</u>
Net position June 30, 2015, as previously reported	\$ 991,363
Adjustment for OPEB costs expensed in prior years	<u>13,545</u>
Net position July 1, 2015, as restated	<u>\$ 1,004,908</u>

Note 15. New Accounting Pronouncement

The Commission adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

Required Supplementary Information

Area 15 Regional Planning Commission

Schedule of the Commission's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Two Years*
(In Thousands)

Required Supplementary Information

	2016	2015
Commission's proportion of the net pension liability	0.003403%	0.003539%
Commission's proportionate share of the net pension liability	\$ 168	140
Commission's covered employee payroll	\$ 233	232
Commission's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.10%	60.34%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor's report.

Area 15 Regional Planning Commission

Schedule of Commission Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Required Supplementary Information

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution	\$ 20	21	21	22	20	18	16	13	12	10
Contributions in relation to the statutorily required contribution	(20)	(21)	(21)	(22)	(20)	(18)	(16)	(13)	(12)	(10)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
Commission's covered-employee payroll	\$ 225	233	232	254	248	259	241	209	198	174
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%

See accompanying independent auditor's report.

Area 15 Regional Planning Commission

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

Supplementary Information

Area 15 Regional Planning Commission

Schedule 1

Schedule of Changes in Fiduciary Assets and Liabilities -
Agency Fund

Year ended June 30, 2016

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and cash equivalents	\$ 1,289	-	-	1,289
Total Assets	<u>\$ 1,289</u>	<u>-</u>	<u>-</u>	<u>1,289</u>
Liabilities:				
Due to other governments	\$ 1,289	-	-	1,289
Total Liabilities	<u>\$ 1,289</u>	<u>-</u>	<u>-</u>	<u>1,289</u>

See accompanying independent auditor's report.

Area 15 Regional Planning Commission

Schedule 2

Schedule of Revenues by Source and Expenditures by Function -
All Governmental Funds

For the Last Ten Years

	Modified Accrual Basis									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Use of money and property	\$ 12,790	11,003	13,687	15,735	17,559	28,541	35,754	35,532	49,905	55,128
Charges for service	176,349	217,909	151,862	143,315	140,674	79,354	103,907	86,431	58,423	80,350
Intergovernmental	172,066	170,730	191,393	264,205	338,866	784,731	340,079	845,041	195,415	178,244
Miscellaneous	62,870	32,057	28,196	29,000	54,145	22,886	34,066	56,104	29,117	39,092
Total	\$ 424,075	431,699	385,138	452,255	551,244	915,512	513,806	1,023,108	332,860	352,814
Expenditures:										
Operating:										
Community and economic development	\$ 437,083	376,972	508,276	478,437	567,035	773,207	539,048	989,948	387,395	323,711
	\$ 437,083	376,972	508,276	478,437	567,035	773,207	539,048	989,948	387,395	323,711

See accompanying independent auditor's report.

Area 15 Regional Planning Commission

Schedule 3

Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Program Expenditures
Direct:			
U.S. Department of Commerce:			
Economic Development Administration:			
Economic Development - Support for Planning Organizations	11.302	05-83-05375-02	\$ 61,000
Economic Adjustment Assistance	11.307	53902427	388,805
Economic Adjustment Assistance	11.307	53902427-01	324,422
			<u>713,227</u>
Total direct			<u>774,227</u>
Indirect:			
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	16-RPA-15	<u>39,093</u>
Formula Grants For Rural Areas	20.509	16-RPA-15	<u>20,455</u>
U.S. Department of Homeland Security:			
Passed through Iowa Homeland Security and Emergency Management Division and Jefferson County:			
Hazard Mitigation Grant	97.039	DR4126-0005-01	212
Mahaska County:			
Hazard Mitigation Grant	97.039	DR4119-0002-01	4,668
Van Buren County:			
Hazard Mitigation Grant	97.039	DR4181-0004-01	18,083
			<u>22,963</u>
Total indirect			<u>82,511</u>
Total			<u>\$ 856,738</u>

See accompanying independent auditor's report.

Area 15 Regional Planning Commission

Schedule 3

Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

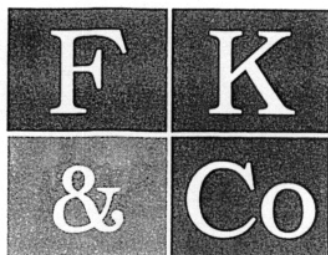
Computation of CFDA Number 11.307 - Economic Adjustment Assistance

	Grant Number	
	53902427	53902427-01
Balance of loans outstanding at June 30, 2016	\$ 403,005	273,867
Cash and Investment balance at June 30, 2016	121,238	154,304
Administrative expenses paid out in fiscal year	3,451	4,391
Unpaid principal of loans written off during the fiscal year	-	-
Total	527,694	432,562
Federal percentage	73.68%	75.00%
Amount included on Schedule of Expenditures of Federal Awards	\$ 388,805	324,422

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the Area 15 Regional Planning Commission under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position, changes in financial position or cash flows of the Commission.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting, except for revolving loan fund transactions (Economic Adjustment Assistance, CFDA 11.307), as explained above. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Area 15 Regional Planning Commission has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Directors of
Area 15 Regional Planning Commission:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Area 15 Regional Planning Commission (Commission) as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated January 26, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Commission's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items II-A-16, II-B-16 and II-C-16 to be material weaknesses.

-43-

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Commission's Responses to Findings

The Commission's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

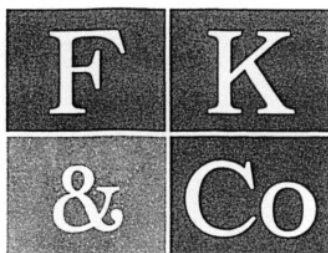
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Faller, Kincheloe & Co., PLC

Des Moines, Iowa
January 26, 2017



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance

To the Board of Directors of
Area 15 Regional Planning Commission:

Report on Compliance for Each Major Federal Program

We have audited the Area 15 Regional Planning Commission's (Commission) compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the Commission's major federal program for the year ended June 30, 2016. The Commission's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Commission's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Commission's compliance.

Opinion on the Major Federal Program

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

-45-

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Report on Internal Control Over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness and deficiencies we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-16 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-B-16, III-C-16 and III-D-16 to be significant deficiencies.

The Commission's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Commission's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Faller, Kincheloe & Co., PLC

Des Moines, Iowa
January 26, 2017

Area 15 Regional Planning Commission
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Significant deficiencies and a material weakness in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.515.
- (g) The major program was CFDA Number 11.307 – Economic Adjustment Assistance.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Area 15 Regional Planning Commission did not qualify as a low-risk auditee.

Area 15 Regional Planning Commission
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-16 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although two individuals are involved in the accounting duties of the Area 15 Regional Planning Commission (Commission) there is insufficient segregation of duties to prevent one individual from having control over each of the following areas for the Commission:

- 1) Cash – reconciling bank accounts, initiating cash receipts and handling and recording cash.
- 2) Receipts – collecting, depositing, posting and reconciling.
- 3) Accounting system – performing all general accounting functions and having custody of Commission assets.
- 4) Payroll – recordkeeping, preparation and distribution.

Recommendation – We realize with a limited number of office employees, segregation of duties is difficult. However, the Commission should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Evidence of review of reconciliations should be indicated by initials of the independent reviewer and date of the review.

Response – The Commission will review its control procedures to obtain the maximum internal control possible with the limited staff it has.

Conclusion – Response acknowledged.

II-B-16 Preparation of Full Disclosure Financial Statements – Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by generally accepted accounting principles. The Commission does not have the internal resources to prepare the full-disclosure financial statements required by generally accepted accounting principles for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

Recommendation – We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles in preparing full-disclosure financial statements for external reporting purposes is difficult. However, we recommend that Commission officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than to rely on external assistance.

Response – We recognize our limitations; however, it is not fiscally responsible to hire additional staff for this purpose.

Conclusion – Response acknowledged.

Area 15 Regional Planning Commission
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

II-C-16 Year End Adjustments – We proposed adjusting journal entries that were material to the Commission's financial statements.

Recommendation – We recommend that all balances at month and year end be reviewed for accuracy and completeness.

Response – We will take the recommendations you have made under advisement and make changes to our procedures to ensure the accuracy of the Commission's financial statements.

Conclusion – Response acknowledged

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

Area 15 Regional Planning Commission
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NONCOMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 11.307: Economic Adjustment Assistance

Federal Award Year: 1990 & 1994

U.S. Department of Commerce

Passed through the Economic Development Administration (EDA)

III-A-16
(2016-001) Monitoring of Loans – Documentation such as employment reports, financial statements and proof of insurance were not always obtained from the borrower. These documents are required by the conditions of the loan.

Recommendation – Regional Economic Development Investments, Inc. (REDI) should continue to work on establishing procedures to ensure that the borrowers are properly monitored for compliance with the conditions of the loans.

Response and Corrective Action Planned – REDI continues to work on receiving loan documentation such as employment reports and financial statements. REDI borrowers are continuously reminded and requested to submit required quarterly and annual documents but we have very little leverage in demanding these documents, short of “calling” the loan for non-compliance.

Conclusion – Response acknowledged.

III-B-16
(2016-002) Economic Adjustment Assistance Grant – The REDI is required to file a bi-annual report with the EDA which documents various REDI loan information. Our review of these bi-annual reports document amounts on these reports which are not supported by the accounting records of REDI.

Recommendation – The REDI should implement procedures to ensure the amounts reported on the bi-annual reports filed with the EDA are supported by the accounting records of REDI.

Response and Corrective Action Planned – In regards to the bi-annual reports filed with the EDA, the numbers in question are calculated by the EDA computer program, and we do not know how the EDA came up with them. In the future, we will attempt to ensure that the numbers on these bi-annual reports agree to the accounting records of REDI.

Conclusion – Response acknowledged.

Area 15 Regional Planning Commission

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

III-C-16
(2016-003)

Origination Fee – The REDI did not collect \$750 in origination fees from one borrower as required by REDI’s administrative plan. REDI should have collected \$2,250 in origination fees from one borrower, but only collected \$1,500 in origination fees from the borrower in question, for a difference of \$750.

Recommendation – The REDI should implement procedures to ensure the origination fee is collected from all borrowers.

Response and Corrective Action Planned – We will implement this recommendation in the future.

Conclusion – Response acknowledged.

III-D-16
(2016-004)

Excess Funds – Excess interest earnings on sequestered REDI funds are required to be paid to the EDA on a quarterly basis. We noted that the REDI is not consistently remitting excess interest earnings from sequestered funds to the EDA on a quarterly basis.

Recommendation – REDI should implement procedures to ensure excess interest earnings on sequestered funds be paid to the EDA on a quarterly basis.

Response and Corrective Action Planned – We will implement this in the future if we have sequestered funds. Currently, we do not have any sequestered funds.

Conclusion – Response acknowledged.

Area 15 Regional Planning Commission
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-16 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-B-16 Travel Expense – No expenditures of Area 15 Regional Planning Commission (Commission) money for travel expenses of spouses of Commission officials or employees were noted.

IV-C-16 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-D-16 Deposits and Investments – Except as noted below, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Commission’s investment policy were noted.

The maximum amount which may be kept on deposit at each depository was not documented in the board minutes.

The Commission did not have an investment policy for part of fiscal year 2016, as required by Chapter 12B.10 of the Code of Iowa.

Recommendation – The Commission should implement procedures to ensure compliance with the Code of Iowa in relation to the depository resolution and the investment policy.

Response – We have or will implement this recommendation.

Conclusion – Response acknowledged.

IV-E-16 Concentration of Credit Risk – The Regional Economic Development Investments, Inc. deposits in banks were not entirely covered by the Federal Depository Insurance Corporation insurance or by the National Credit Union Administration insurance at times during fiscal year 2016.

Recommendation – The Regional Economic Development Investments, Inc. should ensure all deposits in banks are covered by Federal Depository Insurance Corporation insurance or by the National Credit Union Administration insurance at all times.

Response – We will implement this recommendation in the future.

Conclusion – Response acknowledged.

IV-F-16 Insurance – The Commission paid for the director’s and officer’s liability insurance for two non-profit organizations it is affiliated with.

Recommendation – The Commission should only pay for its own director’s and officer’s liability insurance and not for two non-profit organizations it is affiliated with.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.